

FINAL TRANSCRIPT

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CMCSA - Comcast Corporation at Goldman Sachs Communacopia XIX Conference

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PRESENTATION

Jason Armstrong - *Goldman Sachs - Analyst*

We're really please to have with us today from Comcast Mike Angelakis. He's been with the Company since 2007 and currently serves as the Chief Financial Officer. Welcome.

Mike Angelakis - *Comcast Corporation - CFO*

Thank you, it's nice to be here, beautiful building.

Jason Armstrong - *Goldman Sachs - Analyst*

Thank you. We will maybe just start things off with, obviously, with topical, the NBCU deal. I know there's limitations to what you can say, but as we step back here, a lot of reasons to be excited about this deal, in terms of the ad market trends since the announcement of the deal, in terms of the financing environments since the announcement of the deal. Step us through how you see this deal positioned at this point, and maybe step us through the regulatory process, just giving us updates there.

Mike Angelakis - *Comcast Corporation - CFO*

Sure. We are moving through the regulatory process. I think we've been consistent that we are targeting a year-end close; that is certainly our goal. I think that's hopefully the goal of not only our organization, but also both the Department of Justice and the FCC. They are, quote, in process. All the filings have been made, all the depositions, I think, have been taken. So from our view we are moving as quickly as we possibly can to try to close that transaction by the end of the year. And from an organizational sense and an administrative sense and an integration sense, that is really the calendar that we are quite focused on. And we spent a lot, a lot of time on what I would call how do we transition or integrate, and there's a lot of nuts and bolts related to that.

With regards to the transaction, we signed the transaction on December 3. We filed a lot of our public papers at the end of January/early February. And over that time, we've spent a lot of time in our organization looking at not only just the nuts and bolts, but the growth aspects and the synergies lack -- not the best word, but how do we take advantage of some of the synergies between the content and distribution side.

I think we are more excited than we were back last December. We are seeing -- gotten fortunate with the ad market, which you've mentioned, which has been very helpful to them. They have made some real creativity or creative aspects. I know Jeff is talking later today. Also, we've done financing on some of the transaction, which certainly has taken advantage of some of the lowered interest rates that we might have pro forma'd out.

So overall we are -- the best way to describe where we are is we are moving as fast as we can to close the transaction, and we feel better about the transaction today than we did in December, and we are pretty excited.

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Jason Armstrong - Goldman Sachs - Analyst

Great. If we move onto the P&L trajectory and maybe just think high-level in terms of revenue trajectory, we had word last week, I think more specifically from one of your peers, that the volume weakness in the industry may have gotten a little bit worse than they had expected through 3Q. But at the same time, there clearly is an ARPU opportunity, the average household just doing more. We've seen ARPU accelerating.

How do we think about the mix of those two in your business?

Mike Angelakis - Comcast Corporation - CFO

Well, there's clearly a balance between volume and ARPU, but we are laser focused. And if you listen to our earnings calls, if you read our literature, on what we call profitable growth; we really want sustainable and profitable growth. And a key metric in terms of how that is determined is ARPU and ARPU management area and we are continuing to grow ARPU literally around what we consider to be our \$128, which I think has grown about 8% year on year. So ARPU management is a critical part.

And when we take a step back and look at our business, we look at the video business, which I think is what you're referring to. Clearly, the video business has been softer than we would like it to be. Part of that is economy driven. We have not a lot of housing formation. We have, certainly, high unemployment and there's a whole variety of macroeconomic factors that have done that. We also have competition. We've had, over the last couple of years, gone from 16% overbuild to 34% overbuild from two large RBOCs, and that clearly has had some impact in our video losses. Net-that, over those two years we have actually grown our net adds by about 3.2 million.

So when we look at our video business, we look at it as, it's a mature business. It's about 85% penetrated in terms of the multi-channel video marketplace. We have great market share, we have great scale and we are continuing to penetrate more dense services like HD DVRs and so forth. We will continue to add more VOD. But it is a mature, competitive market, and we are continuing to grow at not as fast a pace.

When we look at our other products like high-speed data, that is just a terrific product. We are growing ARPU there as well. We're also taking share. We're also growing the marketplace. So high-speed data is a terrific growth business for us.

And what people don't talk a lot about is, on the voice business, we're continuing to grow market share there as well. And we are doing things from an application standpoint to make it more of a unified messaging or how it works from a converged platform basis. And we have a relatively 16% or so market share in that. And even though there may be some wireless substitution, we think that business will continue to grow pretty nicely.

Then we have business services, and business services is an enormous opportunity for us. And that number is growing sort of 40%-50% year on year, and we are in the very early stages of developing that market. And you have advertising, and you have content.

So when we look at our business across all those categories, I think you just can't look at quarter-to-quarter one metric. You've got to look at the entire landscape. You have to look at how we've done with our net adds and where we are growing and how we are managing ARPU and how we are managing revenue, operating cash flow and free cash flow.

Jason Armstrong - Goldman Sachs - Analyst

You just hit on everything I wanted to talk about, thank you.

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Mike Angelakis - Comcast Corporation - CFO

Great. We can go right to Q&A, then.

Jason Armstrong - Goldman Sachs - Analyst

Maybe just to dig a little bit deeper, as we think about the basic video trends in this business, I think obviously there has been this emerging debate around cord-cutting and over-the-top. And maybe help us just get through segmenting your base. What is going on in the segmentations? Is this purely the economy is driving the lower tiers out of the basement -- one of the reasons ARPU is accelerating, or are you experiencing pressure across the tiers?

Mike Angelakis - Comcast Corporation - CFO

Well, there's a lot of factors when people are specifically focused on video. If you look at where we were last year to this year, last year in the first half of the year we actually gained about 160,000-odd what we call broadcast basic customers. The majority of that was related to the digital transition. In the first half of this year, we've actually lost a little bit more than 160,000 broadcast basic customers. So there's been a roll-off. You throw that into the mix.

The economy clearly is in there; that is absolutely an issue. There's just no robustness in the consumer. And, although we are seeing more customers take more services from us, which has been helpful, the growth is having an issue.

In addition, we do have competition, and some of the folks are continuing to overbuild. They may be in the latter innings of that effort, but it still has an impact.

So when people say there's cord cutting, we really just don't see it. If you look at the last 12 months, we have lost about 670,000 customers, primarily for all the factors that I mentioned. If you go -- and that's from June of 2010 to June of 2009. If you look at from 2009 to 2008, interestingly, we lost about 670,000 video customers as well. And when we think about cord cutting or the flavor of the day, we look at that as primarily competition to our VOD business, not to our core business.

Jason Armstrong - Goldman Sachs - Analyst

On the lower end of the sub base, which I guess most people would argue is cyclical at this point, how do we -- one of the forms of pushback that I hear from investors is, does cyclical ultimately become secular? The low end of the base leaves and gets used to doing things some other way, whether (inaudible) Netflix, etc. How do you think about maybe restructuring, resetting price points to hold on to that lower end of the base maybe through this cycle?

Mike Angelakis - Comcast Corporation - CFO

We actually have what we call economy packages. So we saw the recession coming -- I hate to say it -- in the fourth quarter of 2007. We were one of the early folks that raised their hand and said, there are some issues coming.

And we took a couple of steps then, which is literally almost three years ago. And what those steps were, were increasing our what I call credit scoring and our qualifications for our customer base. The second thing we did on a really proactive basis is put in economy levels of service. We put in economy levels of video, we put in the economy levels of high-speed data and we put in the economy levels of voice.

The reality is that the video economy level has not seen really any dramatic uptake. Interestingly, on the high-speed data side, we've seen more customers take a higher speed service in terms of what we call the blast service versus the economy side. And



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now about one out of five of our entire base takes that blast service, that higher-tier service. And we do have some customers on the economy voice side, which is primarily if you are not a long long-distance customer, that's a pretty economical package.

So we have put those packages in place. They are primarily related to retention. But I think we all have to understand, when you have almost 10% employment and almost 16% or 17% effective unemployment, there's some real issues with how people can afford certain services.

So I think we have put a lot of those tiers in place. We roughly, on the video side, probably have five different segments for what people are looking for and what they can afford.

Jason Armstrong - Goldman Sachs - Analyst

When you talk about over-the-top [peers] before, which doesn't seem like it's entirely playing out yet -- but most people reference it on the cable side as, what do we do to be defensive against that? But you actually have the opportunity, I would imagine, to be a little bit more offensive with that strategy. How do you see that playing into TV everywhere in the business?

Mike Angelakis - Comcast Corporation - CFO

Well, TV Everywhere, which we are calling Xfinity online TV, Xfinity online TV, which will be, I would say, relaunched because we have been in beta for a number of months, next month, clearly is offensive. Our goal is to provide our customers with, really, the content that they want anytime, anywhere. And that includes as we launch different services with Xfinity and what we call Project Cavalry All-Digital -- that's all somewhat connected.

And the goal really is to provide our customers with the content that they want, where they want it and, frankly, provide them with as much as they want so they don't feel they need an alternative. We think that we have a great value proposition on the video side. It will evolve. It will mature in terms of how we innovate that product, whether it's online, whether it's on linear or whether it's VOD or ultimately possibly wireless. So I think we are very focused on how do we surround the customer in a way that makes not only their -- so they have lots of choices.

Jason Armstrong - Goldman Sachs - Analyst

The ARPU trends that you have mentioned have been very strong, trending, I think, on a total basis up 8%. Is this level of growth sustainable, in your mind? And what are the puts or takes that would cause accelerating versus decelerating growth from here?

Mike Angelakis - Comcast Corporation - CFO

Well, ARPU is an important aspect for us. It literally, obviously, drives a big part of the investment case. If you look at our high-speed data business, for instance, we have about 32% penetration. Folks in this room would say five years ago, what would broadband penetration be? I would guess people wouldn't think it's 32%, and we are at 32% today. Multichannel video is at 85%-90%. I don't see any reason why, over a long period of time, high-speed data or broadband shouldn't be a much higher number, right up to where video is.

So I think we will continue to what I call penetrate the market. We will continue to add more services. We've added about 1.3 million, 1.4 million advanced services, which include high definition and HD DVRs. That's very similar to the number we added, and that's over an LTM basis, very similar to the number we added LTM before that. So we are continuing to add more services, more digital, more advanced services, more high-speed and more voice. And we are going to be very focused on how to grow that ARPU.

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Jason Armstrong - Goldman Sachs - Analyst

One of the things that you kind of led with -- broadband and the opportunity there. If we think about the competitive environment, cable had a relatively strong quarter in Q2, telco had a pretty poor quarter, which resulted in 100% share for cable. Telco seems to have responded --

Mike Angelakis - Comcast Corporation - CFO

A little bit more than that, more than 100.

Jason Armstrong - Goldman Sachs - Analyst

Telco seems to have responded in Q3, at least one or two operators, with very low entry price points on sort of a low-end service. Have you seen any impact in your business from this?

Mike Angelakis - Comcast Corporation - CFO

Well, I just want to make sure that we are clear that we are really focused on profitable growth. We also are really focused on having the best broadband service. We have increased our customer base LTM on high-speed data by about 1.1 million customers, and Verizon and AT&T have done less than 800,000 combined. So we are continuing to take share. It's pretty clear that we have a superior product. We have a roughly \$43 ARPU, going back to ARPU, and we are continuing to grow share.

What folks do on a quarter-to-quarter basis I don't necessarily get too alarmed by. I think that as long as our product is a superior product, we are pricing it right, we will continue to take share as well as penetrate the market.

Jason Armstrong - Goldman Sachs - Analyst

Is a good way to think about it that telco sort of sporadically introduces the low-end price points, increases the market sizing, and then your opportunity is when the upsell comes, [would be] -- that same base wants higher speeds, they want to move up, that's when you probably have the opportunity to take greater share and more profitable growth?

Mike Angelakis - Comcast Corporation - CFO

Absolutely. There's -- as I said, 20% of our high-speed data customers take that higher level of service. So even with what's happening in the economy, there's a real desire for more speed.

Jason Armstrong - Goldman Sachs - Analyst

Let's think about the network with all-digital largely complete, DOCSIS 3.0 upgrade, a lot of excess capacity in the system. How do we think about opportunities to monetize the excess capacity?

Mike Angelakis - Comcast Corporation - CFO

The key for us is, how do we utilize the network to grow our businesses? And as I went through the litany of our different businesses which are in different modes of growth, different cycles, we are also thinking about other businesses that can certainly help. We are testing things like home security and wholesale. We are testing things on video -- we are doing lots of evaluations



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and tests. And our view is, we have an absolutely terrific network. The Project Cavalry or All-Digital has not only opened up bandwidth capabilities but provided a much better product both for our customer base and from an operational perspective.

So over time I think this Company has done an extraordinary job of continuing to transform itself and monetize that network. And I think that that mindset, that entrepreneurial spirit, is very evident within our organization, whether it's VOD or IP or whatever we choose to focus on. I think we will look to figure out ways to monetize that and grow the business.

Jason Armstrong - Goldman Sachs - Analyst

And there are sort of two sides to it. There's the monetization side and there's the cost savings side. Can you talk to us -- maybe any metrics you can point to as how that's playing out?

Mike Angelakis - Comcast Corporation - CFO

Well, let's talk about the all-digital effort, and there's two efforts you particularly brought up. One is DOCSIS 3.0, and the other one is all-digital. On the DOCSIS 3.0 we are seeing higher speeds, and that is separating us from the competition. So we look at that as a terrifically offensive move that really is separating us from the competition, and we've been able to up-sell more of our customers.

With regards to Project Cavalry All-Digital, that is really focused on two elements in our mind. One is product enhancement, so when Cavalry is done or when a system goes all-digital, we actually introduce the Xfinity TV brand. And with that comes more -- a digital picture, more digital channels, electronic program guides, access to VOD with about 25,000 titles, three times more high def, two times more foreign language, doubling the speeds. And we're going to continue to add more and more on the VOD platform. Also right behind it is the online service which we were talking about a few minutes ago. So from a customer perspective, we think it's a real product enhancement and a real bifurcation from some of our competitors.

On the operations side, it really has allowed us to reduce the number of truck rolls. And it's not just truck rolls, but it's customer convenience where someone who has to schedule a truck roll needs to be home. Now we can automate a lot. So in three markets where we have a more mature footprint with the all-digital effort, we've been able to reduce truck rolls by about 25%.

In addition, in those markets they are outpacing all of our other markets with regards to revenue growth and operational metrics. So Cavalry, which we are about 63% complete right now and hope to have about 80% what we call sort of in motion and hope to complete it by the end of the first quarter, we think, is a terrific project for our organization.

Jason Armstrong - Goldman Sachs - Analyst

So as we think about it, a number of your prior comments and the impact on margins in the business, it seems to me like a pretty favorable set if you've got ARPU moving in the right direction, the industry sort of [seeing] swelling subscriber metrics, Xfinity is going to introduce efficiencies on the cost side. It seems like this is a margin expansion business. Is that the right framework?

Mike Angelakis - Comcast Corporation - CFO

Over the last five years, our margins have actually been quite stable. The key here is, there is movement that way, but when we go back to your question of -- how do you monetize and how do you grow? We're going to invest some of that. We are heavily investing today particularly in business services. So we are focused on, have been for the last couple of years, the S part of commercial services. We are migrating pretty quickly into the M, the middle sized part of business services. We are also focused on cell backhaul.

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I mentioned a few other areas that we're spending time and effort in that cost money. We actually have increased our marketing as well related to Xfinity and all the different services that we have, so there's puts and takes. Programming, which I'm sure we'll talk about, is not moving the way we want it to go, but you articulated a whole bunch of areas that are. Net-that, including the investment in marketing in some of the new areas where we think of real opportunity and high ROI, I think we are going to see a pretty stable margin.

Jason Armstrong - Goldman Sachs - Analyst

One of the other nuances has been NBC-related (technical difficulty) making their way into the cost structure. What's the magnitude of these costs at this point, and should we expect a stair-step upwards post the closure of the deal?

Mike Angelakis - Comcast Corporation - CFO

Oh, not post closure, no. I think what's important to recognize, and we have absorbed some costs, what I would call, that have impacted operating cash flow. And we've also absorbed some costs that have impacted EPS. The ones that have impacted to operating cash flow are primarily around legal costs and integration costs. And those obviously will go away when the transaction closes.

The ones that have impacted EPS -- by the way, that's about, just to be clear, I think we would have grown, without those costs on operating cash flow, we would have grown 5.1% versus 4.6%. So it has had about a 50-BP impact. On the EPS side, there's been about a \$0.02 impact that's primarily related to financing. We and GE put in place when the deal was signed financing for the transaction. We have a sharing agreement of those transaction costs -- those financing costs because both of us are benefiting from those costs. So we are absorbing that. And obviously, when the transaction closes, all those costs actually become absorbed by the joint venture.

So when the deal closes, we really look at it as not having transaction-oriented costs.

Jason Armstrong - Goldman Sachs - Analyst

Great.

Mike Angelakis - Comcast Corporation - CFO

That would be great; I'm sorry, I have a cold, I apologize.

Jason Armstrong - Goldman Sachs - Analyst

No problem. On programming costs, you mentioned obviously, that's a very important cost component. That's one that's moving in a tougher direction. That's why probably the margin commentary is what it is. Should we assume the continuation of high-single digit trajectory? Or the other thing that introduces the wildcard is just lumpiness around retrans risks. Anything we should be aware of there that may cause some sort of deviation in the trend rate?

Mike Angelakis - Comcast Corporation - CFO

You know, this is not a new phenomenon. I started in the cable business literally in 1991, and the same challenges with escalation in programming costs were there as they are today. I think Comcast in particular has done a fine job of managing its programming

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costs with our scale. You're not seeing public fights, we're not seeing consumer impact, but it is a challenge. And it's going to impact particularly our video margin, but we're able to manage through it.

So I don't -- I see that programming costs will continue to increase. Part of it is related to more digital customers, part of it is related to more VOD content, part of it is related to more rights for online-type services. And it's going to continue to be a challenge. But I just said, I think our margins will be relatively stable over a period of time. I think we are going to be able to manage through that. But I'm not going to hide from the challenges and the arguments we have and making sure the prices for some of these programmings are appropriate relative to the their ratings, which is not always an easy thing to do, but -- and to challenge that in our offices; we've spent a lot of time on it.

Jason Armstrong - *Goldman Sachs - Analyst*

You talked about the business services opportunity -- obviously, there's a huge market at sort of the S end, a different-sized market as you sort of move upstream. Can you talk to us, as you think about different opportunities within the business segment, I guess the push-back from telco is the higher you go, potentially the lower margin opportunity. But it seems like there's enough of a window you've got plenty of room to sell into it at sort of the right margin opportunity.

Mike Angelakis - *Comcast Corporation - CFO*

Well, let's try to bifurcate. Right now, we are in, clearly, the execution mode of the S part of the SME aspects. That business today, which is not very old, is about a \$1.2 billion run rate, good margins, and it is growing at 40% to 50% per annum. Our people are laser-focused on executing that business plan. We look at that marketplace is having between \$10 billion and \$15 billion of total market, so we're, give or take, 10%. We think there's lots of upside in that market and it has real momentum.

The second area is the M part, and the way we define M is entities that have between sort of 20 and 250 employees. That is a new segment. I'm not going to tell you we are in the execution phase of that, although we are deploying metro Ethernet, we are investing in that, we are hiring people, we are starting to sell services. And I would even expect that is not really a 2011 prime time; it's more of a 2012 prime time. But we are putting the building blocks in place. We estimate that that market probably is in the same size, \$10 billion to \$15 billion, and we have virtually nil type revenues there today.

But our focus is how do we penetrate that, what are the customer service teams, what are the KPIs, how much fiber do we have to deploy? And that is really high ROI business to us. We are extending the fiber, which allows us to, number one, go after more of the S part. It helps our residential business and it allows us to go after the medium-sized part. So we are very enthusiastic about the SME business, including cell backhaul. We're doing quite a bit in cell backhaul, investing that as well.

And the [sole] SME part for us is a very disciplined high ROI business. We're looking at how we extend our plant, what the cost of that extension is, what our assumptions related to ARPUs and customer growth, and we have contracts in place. So I really like it, and literally we have three different elements -- the S, the M and the cell backhaul part, moving in all different -- all -- making progress.

Jason Armstrong - *Goldman Sachs - Analyst*

And if you think about extending your capabilities, one of the recent things you've done, obviously, is the purchase of a Chicago-based CLEC. What are the lessons learned there, and how do you leverage what you've learned across the rest of the base? Is it leverageable?



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Mike Angelakis - Comcast Corporation - CFO

So the \$1.2 billion I mentioned is primarily all organic. And I think the majority of our focus is really on how do we grow that business organically. The CIMCO acquisition, which you mentioned in Chicago, is a relatively modest acquisition. 95% of that company's footprint is in the Chicago market, which is one of our larger markets. We looked at that as how do we leverage that technology, how do we leverage the work that they've done internally across our entire footprint.

I would not assume that we are going to look at multiple CIMCOs in other markets. Part of it is, how do you take off-net traffic and put it on-net. And there is a litany of train wrecks around that effort related to CLECs. We understand that, and we are not interested in, quote, consolidating the CLEC business. Our effort would be far more organic in that area. And if there's one-off opportunities that we think have real value added that we can leverage expertise or leverage technology, then we will evaluate that.

But, CIMCO was relatively unique. We are learning a lot from it. We have a lot of people focused on how do we move into that medium-sized area. Just to give you a flavor, the S part of SME has less than a \$200 ARPU. The CIMCO ARPU is more than \$2000. So it's a different customer base, and that is a really good learning experience for how do we do a great job to make sure we can penetrate that market appropriately.

Jason Armstrong - Goldman Sachs - Analyst

Let's shift over to some audience questions, if there are some. If you have a question, raise your hand; there are mics in front of everybody. Any questions? Over here?

QUESTIONS AND ANSWERS

Unidentified Audience Member

I'd like to ask a question just on broadband penetration. You mentioned that you are currently at about 32%. The estimates vary, but let's say 65% of households take broadband, and maybe 70% has a PC. Now, that 70% number has been pretty stubborn for a while. And I guess I'm wondering, as most of the growth is coming from taking folks with dial-up up to broadband, where is it going to be coming from here? When you think about share gains or increased penetration, which one would you think you are going to rely on from here?

Mike Angelakis - Comcast Corporation - CFO

Well, we think, with -- we're going to rely on both. We think, with all the devices that are coming out and WiFi being more ubiquitous, that clearly people are going to see broadband as a more important part of their household set, whether it's economy broadband at a lower price or whether it's 50 or 100 megabits, depending on what people want in their home.

So we're really going to focus on how do we expand that market. Obviously, the FCC is very focused on how to expand that market as well, and we think that there will be upward pressure to expand that market as well as -- and, we hope, to participate and take greater share from that expansion as well as take share from some of our competitors.

How quickly, how fast it all goes -- very hard to predict, but I think we're positioned well to have both those dynamics occur and us benefit from both of those.

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Jason Armstrong - Goldman Sachs - Analyst

Other questions?

Unidentified Audience Member

A lot of your ARPU growth has gone from digital transition and then DVRs and HSD penetration and phones. Looking forward five years down the line, when you see some kind of a stabilization on the penetration levels which may not grow at the kind of levels that you are seeing right now, how much of pricing power you think you would have, assuming the current kind of environment like we hope does not persist that long? How much of pricing power do you think you would have then?

Mike Angelakis - Comcast Corporation - CFO

It's hard to look four or five years from now, to be honest with you. I think one way to think about that is, 12 months ago, roughly one out of four of our customers took all three services. Today, roughly one out of three of our customers take all three services. And we are very focused on continuing to increase that number. Do we think that number, which is at 31%-32%, should -- could be 50% or 60% over time? Sure.

I think it's going to take time. I don't know whether four or five years is the right time frame. But one of our goals is literally to continue to bundle our customers. There's a lot of value add in that customer base when you have all three services or all two services.

Also, the -- so it's hard to answer your question looking four or five years from now. But one thing, the way we are trying to approach, I think, your question is to have more customers take all three services, which obviously has an ARPU impact as well.

Unidentified Audience Member

Earlier, [Glen] talked about how he thought over-the-top might be a bigger issue for the entertainment companies as opposed to folks like yourselves. In your case, you actually have both sides with NBC; you coming in at, I think, over 70% cable network operating income.

How do you think about the back-and-forth there? Who is more at risk? And does the potential for regulation on broadband really change the balance of power between entertainment and infrastructure?

Mike Angelakis - Comcast Corporation - CFO

There's a lot of talk about over-the-top. Obviously, and I said this before, we don't have our head in the sand regarding it at all. But from our standpoint, the primary efforts around over-the-top, at least from our standpoint, have impacted or will impact our efforts around video on demand, on DVD issues, on rental issues. It's really about EST, electronic sell-through; it's on per-episodes, streaming aspects of catalogs.

So I'm not sure I agree completely with Glen. I think that it's going to be very carefully managed. I think it's the flavor of the day in terms of over-the-top. We've had lots of competitors, whether they be satellite companies a while ago, whether they be very large, well-funded RBOCs today. So we are not adverse to competing. And I think that, with NBC, we actually have more tools in our chest to compete effectively with whatever comes across.

And I think we will also be a large IP deliverer of, when we talk about Xfinity TV online, we also will be a large deliverer of IPTV through that mechanism as well. So, again, our goal as an enterprise is to be in the right place for our customers to consume all their TV and all their video, and use our high-speed, which we think is the best, to access that video.



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So there's just a -- there's an enormous amount of attention to this particular effort today. And I still see it as -- we read about Blockbuster today. That's really where it's impacting some folks.

Unidentified Audience Member

Just to follow up, if you think -- assume the FCC does something that many hope they don't. But somehow or another, you lose the ability to really manage pricing on your broadband product, does that change the future of wanting to be the IP deliver of content, given the costs that might be incurred?

Mike Angelakis - Comcast Corporation - CFO

Well, I think we're going to have to look at that. Certainly, we don't think that the government intends to regulate the broadband business. Let's really just take one step back. All the things that are going on, the intention of the FCC, the statements by the chairman, all the work that's being done to fund try to find consensus resolutions clearly leads us to a place where the government wants us to invest in broadband.

We now have 80% -- of our customer base has access to 50 megabits. We are now testing 105 megabits, and going to the other gentleman's question of -- can we move that 70%? So we just don't see the intention, the government looking to regulate our Internet business. We're looking to find ways to invest more in it so that our customers have more choices. I don't know where the balance of power plays out, and there's a lot of speculation in your question. But I can tell you where we are focused, and we've just got to run our business day to day to make sure that we are strategically positioned to take advantage of whatever comes our way.

Unidentified Audience Member

I think, if we look at Comcast standalone right now, you have deleveraged lower than your historical levels. If you fold in NBCU, it's probably closer to that 2.5 times. How are you looking at it in terms of your future plans for shareholder returns?

Mike Angelakis - Comcast Corporation - CFO

Sure. There has been some natural delevering this year. When you look at Comcast today, obviously, when we do close NBCU, I think our consolidated leverage will be a little more than 2.5 times. That's debt to EBITDA or debt to operating cash flow. By the way, we are laser-focused on debt to free cash flow as well as maybe even a little bit more of an important metric than debt to EBITDA.

I think, with regards to return of capital and balance sheet management, for this year we set a strategy, which was we increased our dividend, we are buying back stock, we are going to finance the NBCU transaction. Once we close and get that strategy complete, I think we are going to take one step back and reevaluate the strategy for 2011, which will incorporate dividends, buybacks and those kinds of things as well.

I think we've said that that 2 to 2.5 times is a strike zone that we tend to be comfortable in. And, actually, we thought that we would be a little bit higher than that, but things are going a little bit better and I think we're going to be a little bit more than 205. So stay tuned. I think once we close and the dust settles, we will articulate what our 2011 strategy will be for those particular areas.

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Jason Armstrong - Goldman Sachs - Analyst

Other audience questions? Okay. A couple more, maybe we can just wrap up with them. First, on wireless, if you think about your investment in Clearwire, the company is at a little bit of a crossroads in terms of the next round of funding. Is this strategic enough for you to think about maybe contributing again, or contributing more than your pro rata share, just to keep the momentum of that asset going in terms of the build?

Mike Angelakis - Comcast Corporation - CFO

You know, the funding of Clearwire should really be focused to Clearwire. I think Bill Morrow is speaking at the conference sometime today. I think that's a better question for him directly. We own a little bit more than 9% of the company. We don't see, really, any strategic advantage of owning 10% or 11%. We have no commitment to invest any further. I don't think we really intended to invest. I think that Clearwire has to figure this out.

We like Clearwire. What we really like about Clearwire is their spectrum position. As we talk about lots of bandwidth, we talk about applications that consume bandwidth, one thing that they really have is a terrific strategic advantage with regards to the ability for 4G and throughput and those kinds of issues. And we have a strategic relationship and a founder's type relationship on the wholesale side.

So I think the funding should really be directed to Clearwire. But from Comcast's side, we don't have a commitment and I don't think you'll see us do anything related to that.

Jason Armstrong - Goldman Sachs - Analyst

Just last question, to follow up on Clearwire. As a founder, big owner of the company, one of the ways they've talked about potentially raising the next round is selling spectrum. You just answered the question by saying you think they are really differentiated because of their large spectrum position. Is that something you would be opposed to if you saw them going down that road?

Mike Angelakis - Comcast Corporation - CFO

It depends on the price. I mean, to be, as we will see. I think they are looking at a variety of options, and I think that's just one of the options. So I don't really want to say too much, but they have a lot of spectrum and it's very valuable. So that may be one of the funding mechanisms. We'll see.

Jason Armstrong - Goldman Sachs - Analyst

Great, well thank you.

Mike Angelakis - Comcast Corporation - CFO

Thanks, Jason.

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